



**DEFENSE LOGISTICS AGENCY**  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



JUL 22 1996

IN REPLY  
REFER TO

AQOK

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**

**SUBJECT: DCMC Memorandum No. 96-24, Cost Reimbursement Rules for Indirect Costs -  
Private Sector (INFORMATION)**

This is an INFORMATION memorandum. Target Audience: All Administrative Contracting Officers (ACOs) and Price Analysts.

On May 13, 1996, the Director, Defense Procurement, issued a memorandum concerning the approval authority for executing a defense capability preservation agreement with a defense contractor where it would facilitate the achievement of the policy objectives related to defense reinvestment, diversification, and conversion (attachment). In accordance with Defense Federal Acquisition Regulation Supplement 231.205-71, a contractor may submit a request for such an agreement, together with appropriate justification, through the Assistant Secretary of Defense for Economic Security, to the Under Secretary of Defense for Acquisition and Technology, who has approval authority for such agreements. The contractor should also provide an informational copy of the request to the ACO.

Please ensure this information is disseminated to your ACOS. Any questions concerning this matter should be addressed to Mr. William Hill, Overhead Center of Excellence, at DSN 427-3388 or (703) 767-3388.

**JILL E. PETTIBONE**  
Executive Director  
Contract Management Policy

Attachments





OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON DC 20301-3000

May 13, 1996



ACQUISITION AND  
TECHNOLOGY  
DP (DAR)

In reply refer to  
DFARS Case: 96-D303  
D. L. 96-011

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN (RD&A) / ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
( CONTRACTING) , SAF/AQC  
DIRECTOR, PROCUREMENT POLICY, ASA (RD&A) / SARD-PP  
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Cost Reimbursement Rules for Indirect Costs - Private  
Sector

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to implement Section 808 of the FY 1996 Defense Authorization Act (Pub. L. 104-106). Section 808 permits the DoD to enter into a defense capability preservation agreement with a defense contractor where it would facilitate the achievement of the policy objectives relating to defense reinvestment, diversification, and conversion set forth in 10 U.S.C. 2501(b). Such an agreement would permit the contractor to claim certain indirect costs, attributable to its private sector work, on its defense contracts.

This interim DFARS rule is effective immediately and will be published in a future Defense Acquisition Circular.

Eleanor R. Spector  
Director, Defense Procurement

Attachment

cc : DSMC, Ft. Belvoir



ATTACHMENT

PART 231--CONTRACT COST PRINCIPLES AND PROCEDURES

\* \* \* \* \*

SUBPART 231.2 --CONTACTS WITH COMMERCIAL ORGANIZATIONS

\* \* \* \* \*

[231.205-71 Defense capability preservation agreements.

(a) *Scope and authority.*

Where **it** would facilitate the achievement of the policy objectives relating to defense reinvestment, diversification, and conversion set forth in 10 **U.S.C.** 2501(b), DoD may enter into a "defense capability preservation agreement" with a contractor. As authorized by Section 808 of the National Defense Authorization Act for **Fiscal** Year 1996 (Pub. L. 104-106), **such an** agreement would permit the contractor to claim certain indirect costs attributable to its private sector work as allowable costs on its defense contracts.

(b) *Procedure.*

A contractor may submit a request for such an agreement, together with appropriate justification, through the Assistant Secretary of Defense for Economic Security, to the Under Secretary of Defense for Acquisition and Technology, who has exclusive approval or disapproval authority. The contractor should also provide an informational copy of any such request to the cognizant administrative contracting officer.]